Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Tariffs Implementing	)	CC Docket No. 97-250
Access Charge Reform	)	

GTE Rebuttal

GTE Service Corporation, on behalf of its affiliated GTE Telephone Operating Companies and GTE System Telephone Companies

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THEIR ATTORNEYS

March 23, 1998

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GTE Service Corporation, on behalf of its affiliated companies, the GTE Telephone Operating Companies ("GTOCs") and the GTE System Telephone Companies ("GSTCs") (collectively, "GTE"), respectfully submits this Rebuttal to the Comments on Direct Case submitted by AT&T and MCI in response to the *Order Designating Issues for Investigation and Order on Reconsideration*[1] in the above-captioned matter. Although many of the issues raised by AT&T and MCI have been answered in earlier pleadings in this investigation, GTE herein responds to relevant arguments.

I. Since the FCC has not mandated Definitions for Primary/Non-Primary Residential Access Lines, the Definitions GTE used are Appropriate and have been Reasonably Applied.

The *Access Charge Reform Order* established different Subscriber Line Charges ("SLCs") and Presubscribed Interexchange Carrier Charges ("PICCs") for primary and

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[1] *In the Matter of Tariffs Implementing Access Charge Reform,* CC Docket No. 97-250, DA 98-151, released Jan. 28, 1998. ("*Designation Order*")

non-primary residential lines. With this new primary/non-primary distinction has come a myriad of contentious issues involving how these terms are to be defined and how the lines should be counted, billed and verified. GTE has consistently taken the position that end user charges should not depend on a primary/non-primary distinction.

GTE continues to believe that such a primary/non-primary distinction is wrong as a matter of policy and economics, as discussed in its Opposition to MCI's Emergency Petition and incorporated herein.[2] All carriers are burdened, some customers are confused and other customers have predictably begun to "game" the system to evade the artificial charges. The administrative burden and customer confusion confirm that the Commission should eliminate these problems by dropping this distinction.[3] Both AT&T and MCI agree that the distinction between primary and non-primary should be eliminated.[4]

As long as that distinction remains, LECs must distinguish between primary and non-primary lines. Although the Commission has pending a rulemaking to define

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2 Opposition of GTE, In the Matter of MCI Emergency Petition for Prescription, CCB/CPD 98-12, filed Mar. 18, 1998.

3 These artificial distinctions result in a fundamentally flawed public policy creating implicit subsidies inconsistent with the intent of the Telecommunications Act of 1996. *See* Opposition of GTE, In the Matter of MCI Emergency Petition for Prescription, CCB/CPD 98-12, filed Mar. 18, 1998.

4 AT&T proposes (at 4 n.7) to increase SLCs and PICCs based on a weighted average of primary and non-primary residence and single line business access lines. Although GTE commends AT&T's recommendation to "levelize" these charges, its proposal again becomes entangled in the determination of what is a "primary" versus a "non-primary" access line. As GTE has stated previously, if the Commission determines that further reductions in Carrier Common Line ("CCL") rates are warranted, which GTE supports, such reductions should be offset by increasing the caps on single line residence and business SLCs and PICCs, without regard to the primary/non-primary distinction.

primary lines,[5] the Commission failed to resolve the rulemaking and establish a specific definition prior to the access reform tariff filings. Instead, the Commission directed the LECs to propose a definition. Not surprisingly, some LECs chose one definition and other LECs chose another. In this investigation, however, the Commission must only determine that the definition used by the filing carrier was reasonable, notwithstanding the policy issues to be determined in the rulemaking or the ultimate definition mandated.

GTE believes that its choice – the "Billing/Name Account" method – was reasonable when adopted and is reasonable now. This method attaches a particular local service to a particular customer's name rather than just the service address, thus allowing for reasonable billing of the two services. Although this option does not necessarily eliminate the motivation for gaming the system, it is administratively less burdensome than other options. As previously explained, GTE adopted definitions consistent with those being considered in the *Primary Lines NPRM*, included a definition of non-primary lines in its tariff, used official company data to compile the information and verified its results based on company records. Although the IXCs may prefer the service address option. it is clearly not unreasonable for GTE to have chosen its method.

The Commission should not penalize the filing carriers because they could not correctly guess what policy the Commission would ultimately adopt in the *Primary Lines NPRM.* The Commission should only evaluate whether the filing carrier chose a

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[5] Defining, Notice of Proposed Rulemaking, CC Docket 97-181, FCC 97- 316, released, Sept. 5, 1997. ("*Primary Lines NPRM*").

reasonable definition and applied it in a reasonable manner. Even if the Commission later decides to standardize on another definition, GTE's decision to use the "per account" method is reasonable.[6]

II. Overstatement of CCL Charges Due to Past Underestimates of the Per-Line Base Factor Portion.

In its Comments and related documentation, AT&T challenges various LECs' recalculations of the CCL. Although GTE is included in AT&T's Exhibit CCL-1, page 6 of 7, there is no explanation either in AT&T's narrative or worksheets explaining its calculations or why its calculations differ by approximately one million dollars from those submitted by GTE in the Direct Case (Exhibit 4, CCL Refund, page 2). Without this explanation, GTE cannot verify or respond to AT&T's calculations. Moreover, Exhibit CCL-1, page 1 of 7, which summarizes AT&T's CCL Overcharge calculations, does not include GTE. Consequently, GTE cannot determine if AT&T concurs in GTE's recalculation of the CCL.

Furthermore, even though AT&T alleges that it was "overcharged" by GTE by approximately $6M, GTE had nearly $900M of revenue "headroom" for the 1991 through 1997 period, as shown in the Direct Case, Exhibit 4, CCL Refund. This was after using AT&T's own recalculation technique. Therefore, AT&T's challenge of overcharges for CCL during this period is unfounded, unsupported and without merit.

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[6] GTE has already implemented the Billing/Name Account method. Changing to another method would force GTE to undertake costly and burdensome changes in its billing systems and would add to confusion for both its end-user and carrier customers.

III. Exogenous Cost Adjustments for Line-Side Ports and End Office Trunk Ports

AT&T argues (at 16-17) that the LECs use of revenue requirement to shift port costs to the common line basket would continue to allow port costs to be recovered through traffic sensitive charges.[7] To the contrary, an allocation to the common line basket based on revenue requirement at 11.25% reflects the proper amount of costs which should be transferred. Using revenues as a surrogate for costs, as AT&T suggests, would result in an exogenous shift that would more reflect historical pricing decisions that have been made in the traffic sensitive basket as opposed to the actual cost of line and trunk ports themselves.

GTE believes the Commission should refrain from mandating any one specific methodology that would to apply to all cases in which exogenous costs are shifted from one price cap basket to another. Instead, it should allow LECs to justify their methodologies in tariff submissions that reflect the unique circumstances of each exogenous shift. In instances for which there were no separately identifiable rate elements, such as new rate elements resulting from restructuring, GTE has typically used revenue requirement to apportion or target the exogenous amounts to the appropriate basket. Likewise, in the access reform filings, GTE has followed this approach, one based on revenue requirement, to determine exogenous cost changes

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[7] AT&T's Exhibit REV 1 displays the amounts by which it claims the port-related exogenous cost is understated. However, data for GTE in Columns C and D are incorrect (see GTE Direct Case, Exhibit 5). This invariably calls into question AT&T's summary numbers provided in the exhibit. Further, the integrity of AT&T's analysis is suspect since no explanation has been provided on the manner in which Column E of REV 1 was calculated.

associated with line and trunk port costs.[8] GTE believes it would be unfair for the Commission to now adopt a new policy implementing a single methodology in this investigation, and then, not only mandate its use for all exogenous costs changes, but apply it retroactively.

In addition, GTE agrees with BellSouth that the revenue method is not particularly suited to the movement of the end office dedicated trunk ports within the traffic sensitive basket. In its filing, GTE multiplied the results of a bottoms-up cost study by the number or trunk port units to determine the amount of the shift to the new trunk port rate category. To utilize the revenue method, as AT&T suggests, would require identification of trunk port revenue requirement which, because there are no trunk port categories, is not possible under Part 69.

AT&T also contends (at 19) that to the extent the Commission mandates the revenue methodology, it should not use revenue requirement to recalculate the Base Factor Portion ("BFP") for purposes of adding line side port costs into EUCL rates. While GTE disagrees with the use of the revenue method in this case, the methodologies for determining BFP and SLC rate amounts should be consistent and uniform.

AT&T offers no compelling justification for treating two components of the SLC charge, the BFP and line port cost, in an entirely different manner other than its concern

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[8] As AT&T (at 18) correctly points out, a revenue-based methodology has been used by LECs in other filings, such as LIDB and transport. However, those filings involved established and identifiable rate elements, not the creation of entirely new rate categories as is in the access reform filings.

that future forecasting of line ports costs will be difficult. On this point GTE agrees. All SLC-related calculations should be based on historical data, similar to all other price cap basket calculations, and not on projected revenue requirement and forecast units. This procedure would alleviate the need for LECs to conduct annual forecasts and justify any variations from actual results in future annual filings. It would also eliminate the need for the Commission to initiate annual investigations which will surely be the case as the SLC is raised to higher caps in future filings.

IV. Exogenous Cost Adjustments for Central Office Equipment ("COE") Maintenance and Marketing

AT&T claims that LECs must allocate the Central Office Equipment ("COE") Maintenance and Marketing exogenous cost changes to the Transport Interconnection Charge ("TIC") as it existed *prior* to July 1, 1997, rather than *after* July 1, 1997 as the LECs have done. Following AT&T's method would be contrary to the Commission-issued Tariff Review Plan ("TRP") for spreading undesignated exogenous dollars. In addition, all of the following adjustments were allocated based on post-June 30, 1997 revenues:

- Actual versus 9,000 Reinitialization and End Office Tandem Switched Multiplexer cost;
- Zone Differentiation Cost;
- Unitary Price Restructure;
- Universal Service Fund

Moreover, AT&T and MCI have proposed using post-June 30, 1997 (existing) revenues in order to allocate line port exogenous costs from the Local Switching service category to the Common Line basket.

The proposal to use June 30 revenues for COE Maintenance and Marketing allocations is inconsistent with these other allocations, and clearly highlights the self-serving selection of time periods to optimize the IXCs' own interest in reducing the TIC.

V. 9,000 Versus Actual MOU Calculation

AT&T and MCI argue that adjustments to the TIC, associated with 9,000 versus actual minutes of use, should only be made when such adjustments are negative. They imply that no adjustments should be undertaken when actual minutes of use are greater than 9,000. Again, this suggests a self-serving position.

MCI argues further that LECs should use 1993 usage estimates used in the Access Reform proceeding for the calculation of Tandem Switched Transport rates. GTE objects to the use of estimates when actual data is available. These 1993 estimates are also inappropriate since they were based on usage from the Serving Wire Center to the Tandem, when current usage is measured from the End Office to the Tandem. At the time of the estimates, GTE and other LECs were billing Common Transport from the Serving Wire Center to the End Office. Beginning in July 1998, GTE will bill for usage from the End Office to the Tandem. In essence, the application of the usage components has changed. Therefore, the actual data is more accurate than estimates based on earlier applications.

VI. Distribution of Universal Service Fund Costs Among the Three Price Cap Baskets

GTE, MCI, and AT&T agree on this particular methodology, which distributes the costs among the three baskets based on a comparison of TRP SUM-1 against the internal billing records of the LEC.

Respectfully submitted,

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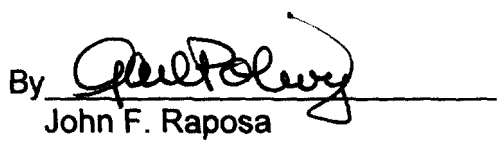
By 

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Certificate of Service

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "GTE Rebuttal" have been mailed by first class United States mail, postage prepaid, on March 23, 1998 to all parties on the attached list.

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